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DD/S&T-1921/69

15 MAY 1969

MEMORANDUM FOR: Director, Office of Planning,
Programming and Budgeting

SUBJECT : Proposed Regulatory Change and
Issuance in the Planning,
Programming, Budgeting
and Approvals System

1. We have carefully examined the proposed changes which are set forth in O/PPB draft dated 9 April 1969. Basically, we are opposed to the draft changes which we consider to be most restrictive. We are of the opinion that the proposed changes tend to shift basic responsibility and authority from the Directorate level to the Office of Planning, Programming and Budgeting. Throughout the draft we find reference to "combined contract actions" and "cumulative totals". It is apparent that there would be many instances when these terms would require O/PPB review of contract actions of insignificant amounts. We find it extremely difficult to believe that the processing of contract actions of \$5-, \$10-, or \$15,000 values to O/PPB would serve any useful purpose but would in fact seriously hamper the ability of this Directorate to accomplish its mission. In addition, it is our view that one monetary ceiling for such diverse actions as information processing and communications, real estate and major items of equipment or reprogramming is not consistent with sound management practices.

2. We have examined the current procedures for the submission of proposed contracts to O/PPB and the Executive Director-Comptroller. Our examination discloses no significant problems in past actions and we are not aware of any cases which were disapproved by the Executive Director-Comptroller. We, therefore, do not understand why such far-reaching changes in the system of approvals are considered necessary at this time.

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3. While we are of the opinion that the current system is quite satisfactory, we believe that if any changes are to be made, the trend should be in the direction of increasing the authority of the Deputy Directors from \$150,000 to \$250,000. We further believe that this trend would certainly support the need for maintaining the level of authority of office directors at the current \$50,000 level rather than the \$25,000 level proposed in the draft. There is ample authority and evidence to establish that the cost of accomplishing an R&D project today is nearly twice the cost of an equivalent project of 1963. These increases are due not only to escalation of labor and material costs but to the extraordinary increase in the complexity of modern systems. This complexity is also the basic cause of overruns which in many cases must be considered a fact of life about which little can be done except in those cases where we find deficiencies in the contractor's accounting system or management controls. In the light of the foregoing we are firmly of the opinion that a limitation of \$250,000 would be entirely consistent with conditions now existing in the field of research and development.

4. In general support of the foregoing position we believe the attached tabulation, taken from our Contract Information System, is most revealing in that it discloses numbers of S&T contract actions and range of values processed over a 21-month period. Of particular significance is the fact that during this 21-month period, [] exceeding \$150,000 were submitted to the Executive Director-Comptroller. Of this total number [] were in the range, \$150-\$250,000. Therefore, if the limitation had been \$250,000 instead of \$150,000, it is apparent that the total number of actions submitted to Executive Director-Comptroller would have been decreased by only [] actions during the 21-month period. 25X1

5. In subparagraph b, page 11, of the proposed issuance it is stated that R&D actions will be submitted to the Executive Director-Comptroller through the DD/S&T who will provide a concise 25X1

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statement concerning certain aspects of the proposed action. We believe that this procedure would be most unwise at this time primarily because the DD/S&T is making substantial progress in the field of Agency R&D coordination. We believe the proposed procedure would be premature and would tend to nullify much of the progress which has been made to date in this area of coordination.

6. In conclusion, we strongly recommend against the issuance of the proposed regulation because we believe it to be much too restrictive and therefore incompatible with management responsibilities of the Deputy Directors and office directors. If the Executive Director-Comptroller still feels that some form of regulatory issuance is needed, we would ask that this Directorate be permitted to review any further proposed changes.

7. A complete machine run from the S&T Contract Information System is available, if needed, to supplement the attached S&T tabulation.


Executive Officer
Directorate of
Science and Technology

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Attachment
S&T Tabulation

Distribution:

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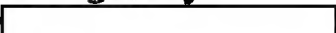
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